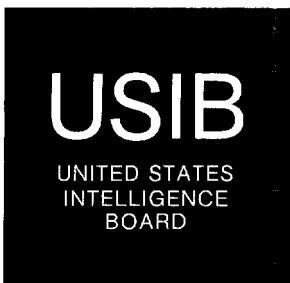


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CHINA

Premier Chou En-lai's report on the work of the government, delivered to the National People's Congress on January 13, repeats familiar domestic and foreign policy themes.

On the domestic side, Chou praised Chairman Mao Tse-tung and the Cultural Revolution, said that the primary task remained criticism of Lin Piao and Confucius, and made some general economic claims.

The Premier's remarks included some verbal bows to leftist ideals, but for the most part they constituted a firm restatement of moderate policies, with an emphasis on discipline and on the prerogatives of the central authorities. Economic priorities were clearly spelled out, for the first time in many years in authoritative fashion. These priorities--agriculture, light industry, and heavy industry--suggest that the military's apparent bid for a greater share of the budgetary pie has been rebuffed. Chou's speech strongly endorsed the central government's role in overseeing comprehensive economic planning.

Chou noted that the class struggle would continue and become acute at times, an apparent reference to the leadership struggle of the past year. His current emphasis, however, was on unity. While stating that hard blows should be dealt to the handful of class enemies, Chou pointedly remarked that criticism must be carried out with "accuracy." This appears to be an implied criticism of some of the charges raised against various leaders last spring.

Chou reaffirmed in clear terms established Chinese foreign policy lines and themes. He said that China should continue to implement Mao's "revolutionary line in foreign affairs"--a codeword for China's opening to the West and continued hostility to Moscow.

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Chou said that relations with the US have improved "to some extent" despite fundamental differences. This was the same formulation used by Chou during the Tenth Party Congress in August 1973. He added that relations will continue to improve as long as the principles of the Shanghai communique are carried out "in earnest."

Chou came down hard on Moscow. He repeated Peking's conditions for a border settlement and easier state relations contained in China's message to the USSR last November, and accused Moscow of violating an understanding that he said he had reached with Kosygin in September 1969 to accept these conditions. Chou said the Sino-Soviet ideological debate will continue "for a long time."

The Premier reiterated that the US and USSR continue in a state of deep contention. He repeated a propaganda theme that has received a good deal of attention in Peking lately--that intense US-USSR competition, particularly in Europe, will lead to a world war--but he made it very clear that the Chinese remain concerned primarily with the Soviet threat to China. In several passages of his report, he called for continued Chinese preparations for war. This is a formulation used by Peking when referring to the Soviet threat.

Chou devoted a good deal of attention to China's relations with the Third World, which have become a prominent foreign policy theme in recent months. He said China should strengthen its relations with Third World countries and support their efforts to oppose "superpower control, threats, and bullying." He made no specific recommendations, however.

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SYRIA

A close adviser to Saudi King Faysal has reported that during Faysal's visit to Damascus last week the Syrians stressed their concern about being shut out of Middle East peace negotiations.

The adviser, Kamal Adham, told US Ambassador Murphy in Damascus that the Syrians, always suspicious of Egypt, maintained that the next round of negotiations over further Israeli withdrawals in the Sinai and Golan Heights should occur simultaneously and not in sequence. Significantly, the Syrians did not mention reconvening the Geneva peace talks. Presumably they failed to mention Geneva because they know the Saudis want to keep the Soviets, who are actively supporting a resumption of the conference, as far out of the picture as possible.

The Saudi official made it clear his government believes the Syrian desire for simultaneous negotiations is unrealistic. He suggested to Ambassador Murphy, however, that a formula should be devised that somehow gives the appearance of yielding to Syrian demands, while in fact allowing Egypt to negotiate another agreement with Israel first.

Adham thought Syrian President Asad would be reasonable on both the timetable of Israeli withdrawal from the Golan and the Palestinian issue as long as the Iraqi regime did not stir up trouble for Asad. Syrian policy-makers led Adham to believe they were uneasy about "potential" criticism from the Iraqis, who have close ties with those Syrian Baathists most strongly opposed to negotiating with Israel. This sounds like a convenient Syrian alibi for future bargaining positions, since Iraqi criticism currently is more of an annoyance than a threat.

On the Palestinian question, Adham asserted that Syria would accept the existence of Israel within its June 1967 borders if Israel would accept the establishment of a West Bank - Gaza Palestinian state. No Syrian official has been willing to go that far, either publicly

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or privately. Indeed, Asad is likely to withhold such recognition until all other outstanding differences between Syria and Israel have been settled.

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CYPRUS

Demonstrations against US and British installations subsided late yesterday, but Greek Cypriot resentment over the evacuation of Turkish Cypriot refugees from the British base at Akrotiri is still strong.

Tight security measures by government forces and the personal intervention of President Makarios deterred one mob estimated at 2,000 persons from seriously damaging the USIS library in Nicosia. Demonstrations held in three other Greek Cypriot towns yesterday, in connection with a general work stoppage, were generally peaceful.

Embassy officials are cautiously hopeful that the Cyprus government is now fully committed to provide adequate protection for US installations. Police and National Guard security at the embassy yesterday was heavy and well organized. The embassy received repeated assurances from high government officials that the government was determined to prevent a repetition of Saturday's assault on the embassy and that if US properties are threatened, Makarios would again appear on the scene.

In the meantime, the evacuation of Turkish Cypriot refugees continued yesterday without any major problems.

Representatives of the Greek and Turkish Cypriot communities met again yesterday to continue their talks on substantive political questions.

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PORUGAL

According to an official communiqué, the cabinet yesterday approved the outlines of a law creating a single confederation to control all trade unions, as the Communists have been demanding.

The cabinet is to begin discussing the details of the law today, at which time it may become clearer why the two non-communist parties in the coalition--the Socialists and the Popular Democrats--decided to go along. They had previously hinted they might leave the government unless the Communist proposal was abandoned. If the non-communists have indeed capitulated on the issue, the draft law will be sent, following cabinet discussions, to the 21-member Council of State, where the military's majority on the body would ensure the law's passage.

If the non-communists decide to fight the proposed law further, they can take hope from a number of recent events that their fight will be popular and that, if they are defeated, this may be costly for the Communists:

--A Socialist slate soundly defeated a list led by Communists in an election for the leadership of the bank workers' union of Oporto, long considered to be Communist controlled.

--A slate of candidates opposed to a single labor confederation reportedly has an edge in a similar election in the government postal, telegraph, and telephone union.

--The Catholic Church, which has kept silent on political matters, has issued a communiqué favoring trade union liberty.

--The Communist Party rejected the suggestion by the Popular Democrats that a national plebiscite be held on the labor issue.

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CAMBODIA

Prime Minister Long Boret continues to make piecemeal cabinet changes in an effort to strengthen his position and assure fuller implementation of his policies.

The most recent change--the departure of Interior Minister Ek Proeung--typifies Long Boret's efforts to reduce corruption and emphasize fiscal restraint in his government. Ek Proeung, who reportedly is either on an official mission or receiving medical treatment abroad, is expected to be eased out of the cabinet while he is gone. Long Boret himself has temporarily assumed the interior portfolio. Defense Minister Thappana Nginn resigned in late December, and Long Boret appointed Minister of National Concord Hou Hong to replace him temporarily. Although no permanent appointments to these posts have been made, the Prime Minister is expected to name individuals more sympathetic to his policies.

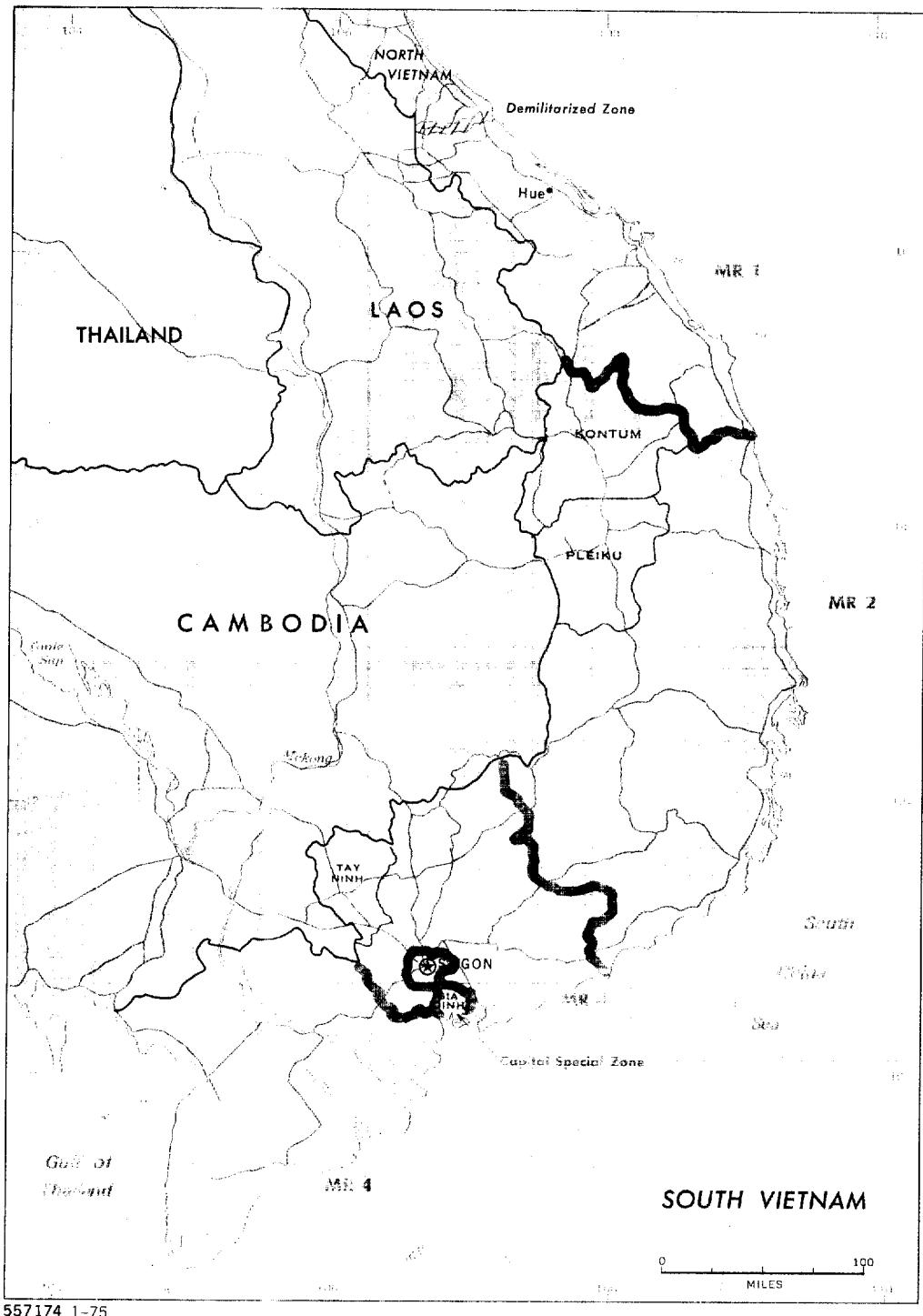
Meanwhile, President Lon Nol has reportedly postponed indefinitely elections for the top posts in the government party. The President is apparently withholding support for his controversial younger brother, Lon Non, in the latter's bid to be elected secretary general of the party. This latest decision by the President will further limit Lon Non's ability to influence government policy.

In lieu of party elections, a five-man political bureau within the party has been formed. Lon Non is one of the members but is expected to be outvoted by Pan Sothi, the current party secretary general, and the other three members, who are allies and also oppose Lon Non's schemes for taking control of the party. Assuming that the political bureau functions as predicted, and a personal feud between Long Boret and Commander in Chief of the Armed Forces Sosthene Fernandez continues to be muted, Lon Non's troublemaking potential will be reduced. The formation of the political bureau will also strengthen Long Boret's ability to obtain party support for his program.

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VIETNAM

The recent rise in rocket and sabotage attacks in the Saigon - Gia Dinh area points to increased problems for Saigon's security forces.

Since the start of the Communist dry-season campaign, there have been rocket attacks against a Saigon military training center and radio site and a sabotage incident at an electric power plant. These incidents probably represent an attempt to unsettle the urban population, turn the government's attention to the security of the capital area, and cover preparations for major military efforts elsewhere, possibly at Tay Ninh city or other government strongpoints north of Saigon.

Sporadic rocket attacks against Tay Ninh continue, while government forces prepare for the next upsurge. Although the Communists have the ability to increase sabotage and terrorism, the government recently has taken a number of steps to counter this activity. Nevertheless, South Vietnamese army officers have expressed concern over the disruptive potential of such activity in conjunction with the expected attacks in northwestern Military Region 3.

Light contacts have been reported in the northern provinces, where the South Vietnamese have been successful in retaking a number of high-ground positions overlooking the coastal plains near Hue. In central South Vietnam, a recent prisoner has stated that a North Vietnamese division has been given the task of cutting the primary land route between the highlands and the coastal provinces. Government commanders believe such an effort could be made as early as mid-February, in conjunction with the anticipated increase in fighting in the Kontum-Pleiku area.

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FOR THE RECORD

Cambodia: The Mekong River supply convoy that was to attempt to reach Phnom Penh yesterday has been tentatively rescheduled for today if security conditions improve. Failure of the government to obtain effective control of Peam Reang Island and adjacent river banks prompted the delay. Military commanders are planning to move additional reinforcements into the area.

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Romania-UK: Bucharest is likely to sign a contract soon to purchase five short-range BAC-111 aircraft from the UK. Bucharest's decision to purchase the British aircraft instead of the US Boeing 727 or McDonnell-Douglas DC-9 was influenced largely by the overall sales package and not by the merits of the BAC-111 alone. Romania obtained manufacturing rights for some BAC-111 spare parts, a production agreement with Rolls Royce--manufacturers of the BAC-111 engines--and an extension of a British-Romanian manufacturing venture for smaller aircraft. London also provided excellent financing, which could not be matched by the US companies.

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